FOREIGN AGRICULTURE

Native cattle in Venezuela

World Oil and Meal Supplies Tighten

Drought in Europe

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This week's cover:

Cow in foreground was sired by a U.S. Santa Gertrudis bull out of a native cow such as those seen in background. The added meat produced by this breeding program is resulting in increased demand for U.S. Santa Gertrudis in many Latin American countries, including Venezuela. See article beginning page 10.

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World Oil, Meal Supplies Seen Tightening in 1977

By ALAN E. HOLZ
Foreign Commodity Analysis, Oilseeds and Products
Foreign Agricultural Service

WORLD supplies of oil and meal—abundant this year—appear destined to tighten in 1977[1] as a result of a prospective 11-percent drop in the 1976 U.S. soybean crop. However, the turnabout will not encompass Brazilian soybeans or Malaysian palm oil, whose production levels are forecast up sharply again in 1977, giving these key U.S. competitors still bigger chunks of world trade.

The greatest supply constriction next year is expected to be in oilseed meal, with 1977 production forecast to fall 2.1 million metric tons from the record 1976 volume to 69.3 million tons, soybean-meal equivalent. The key change foreseen is a 3-4-million-ton drop in U.S. soybean meal availabilities from the expected 1976 harvest of 1.35 billion bushel. Combined U.S. oilseed meal output in 1977 (including fishmeal), forecast at just under 30 million tons, is expected to account for 43 percent of world output, compared with this year's 46 percent and a record 50 percent in 1974.

World production of soybean meal alone is forecast off 2.6 million tons from the 1976 level to 42.8 million, while combined output of all other meals may rise by about 500,000 tons to 26.5 million. The anticipated latter gain reflects projected increases in Soviet sunflowerseed, U.S. and foreign cottonseed, and Peruvian fishmeal, which should offset the sizable declines seen for 1976 harvests of Canadian rapeseed and Indian peanuts.

Forthcoming 1977 production of oils and fats—including vegetable, animal, and marine oils—is projected at 48.5 million tons. This is only 340,000 tons above the 1976 estimate and well under the normal yearly consumption increase of 1.18 million tons.

As with meal, a prospective sharp decline in U.S. production—by a projected 670,000 tons to 10.8 million—will be holding down supplies, while probably cutting the U.S. share of world output to around 22 percent from 24 percent in 1976 and 26 percent in 1974.

The downward thrust in U.S. production comes as a result of relatively weak prices for soybeans and products during the past year and the consequent shift by producers to more lucrative crops such as corn and cotton. As a result, U.S. soybean plantings in 1976 are off 10 percent to 49.3 million acres, and the crop, as of mid June was forecast at 36.7 million tons, compared with 41.4 million last year and the record 42.1 million of 1973.

Since world supplies of oil and meal at the beginning of this season were at unusually high levels, chances of the 1977 slowdown leading to shortages appear slim at this point. Stocks of U.S. soybeans and products should remain high through the end of 1976, providing more than enough to satisfy normal increases in demand. However, sharp price changes could take place should adverse weather chip away at U.S. and foreign oilseed harvests in 1976, or demand accelerate sharply.

IN ADDITION to the prospects for a reduced 1976 U.S. soybean crop, the oil and meal projections for 1977 include the following assumptions:

- A 1977 Brazilian soybean harvest of 13 million tons—12 percent above this year's 11.6-million-ton estimate;
- An 11-percent gain to 3.6 million tons in 1977 world palm oil output;
- A 6-percent increase to 950,000 tons in Peru's 1977 output of fishmeal, accompanied by some gain in fish oil output.
- A 24-percent rebound to 3.7 million tons in the 1976 U.S. cottonseed harvest following an unusually small

NOTE: This is the first of two articles on the world oil and meal situation. The second in the August 2 issue, will take a closer look at developments in two leading U.S. competitors, Brazil and Malaysia.

[1] The 1977 oil and meal projections are based on forecasts of 1976 crop harvests in Northern Hemisphere countries aggregated with projected 1977 harvests in Southern Hemisphere nations.

cottonseed crop in 1975;

• A 200,000-ton drop to 2.7 million tons in 1977 world coconut oil output from this year's record volume, owing to less favorable rainfall in the Philippines;

• A 1976 Soviet sunflowerseed harvest of around 6.8 million tons, or 1.8 million tons above last year's reduced volume;

• A dip in the 1976 Indian peanut harvest to 6 million tons, in shell, from last year's alltime record of 6.8 million tons;

• A 1976 Canadian rapeseed output of only 900,000 tons, compared with 1.64 million in 1975, as a result of acreage diversion to wheat;

• Resumed growth next year in animal fat output following this year's dip, with 1977 production projected at 13.8 million tons or slightly under the 1974 record.

On the trade side, U.S. exports of soybeans and oil next year are expected to hold at just under the estimated 1976 level of 3.03 million metric tons, oil-equivalent basis, despite the reduction in supply. But with total world exports estimated up 6 percent to 4.56 million tons, the U.S. share of world trade would slip to around 66 percent from 71 percent in 1976.

BRAZIL—continuing its rapid rise as a soybean exporter—will take up the slack as its soybean and soybean oil shipments gain by over 200,000 tons to a projected 1.34 million in 1977. Should this gain be realized, it would give Brazil nearly 30 percent of world soybean and soybean oil exports, compared with 26 percent estimated for 1976 and 24 and 13 percent in the 2 previous years—a rising trend that as yet shows no signs of abating. Indeed, since Brazil emerged as a soybean producer-exporter of note at the turn of this decade, the U.S. share of the soybean/soybean oil market has fallen from around 95 percent to the less than 70 percent projected for 1977.

World palm oil shipments also are forecast up sharply in 1977, continuing their uninterrupted expansion since 1967. Exports that year were 496,000 metric tons; in 1976 they will probably total around 2.1 million tons, and they are forecast to hit 2.4 million next year.

Largely the product of vastly expanded palm area in Malaysia, this growth has led to stiff competition from palm oil in traditional U.S. vegetable oil markets and other regions while attracting expanded palm oil imports into the United States. European Community imports of palm oil in 1970 to 1975, for instance, jumped by 240,000 tons to 726,000, while those of soybean oil rose by only 76,000 tons to 316,000. During the same period, imports of all other vegetable oils, except palm kernel oil and coconut oil, declined.

Although prices of oil remain in the slump that began in late 1973/74, meal prices have already responded to an improved demand situation and the prospects of reduced supplies next year.

After bottoming out in the second quarter of 1974/75, U.S. soybean meal prices have pushed irregularly upward to exceed those in the fourth quarter

Continued on page 12

FATS AND OILS:[1] WORLD PRODUCTION, ANNUAL 1973-76 AND 1977 PROJECTION
[In 1,000 metric tons]

Commodity	Production				
	1973	1974	1975	1976	1977
Soybean	7.38	9.30	8.27	10.10	9.53
Sunflower	3.58	4.51	3.97	3.56	4.17
Rapeseed	2.41	2.37	2.50	2.47	2.43
Palm	2.25	2.61	2.94	3.23	3.58
Fish	.80	1.00	.97	.91	.99
Peanut	2.91	3.05	3.01	3.45	3.28
Lard	4.26	4.46	4.33	4.30	4.50
Laurics[2]	2.95	2.69	3.27	3.53	3.36
Cotton	3.01	3.15	3.30	2.83	3.76
Other edible[3]	7.17	7.22	7.09	7.57	6.66
Tallow and greases	4.43	4.92	4.70	4.70	4.80
Other inedible[4]	1.51	1.67	1.50	1.52	1.45
Total	42.66	46.95	45.85	48.17	48.51
U.S.	10.64	12.34	10.18	11.50	10.83
Foreign	32.02	34.61	35.67	36.67	37.68

[1] Includes the oil equivalent of oilseeds, animal fats, and marine oils. [2] Includes coconut, palm kernel and babassu oils. [3] Includes sesame, safflower, corn, olive, butter, and whale oils. [4] Includes linseed, castor, oiticia, tung, olive-residue, and sperm oils.

ESTIMATED PRODUCTION OF SELECTED MAJOR OILSEEDS AND MEALS
44-PERCENT SOYBEAN MEAL EQUIVALENT 1973-77[1]

Producer	1973	1974	1975[2]	1976[3]	1977[4]
	Million metric tons	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*
United States:					
Soybean	25.8	31.5	25.1	30.9	27.5
Other	2.7	2.6	2.3	2.2	2.4
Total	28.5	34.1	27.4	33.1	29.9
Brazil (soy)	3.7	5.6	7.3	8.7	9.7
All other (soy)	3.6	4.7	4.8	5.8	5.6
Peru (fishmeal)	.6	1.3	1.0	1.3	1.4
Other foreign (fishmeal)	4.8	4.9	4.9	5.0	5.0
India (peanuts)	1.3	1.9	1.6	2.2	1.9
Canada (rapeseed)	.5	.4	.4	.6	.3
USSR (sunflower)	2.3	2.2	2.1	1.6	2.1
Foreign (cottonseed)	5.2	5.7	6.2	5.5	5.8
All other	6.6	7.1	7.5	7.6	7.6
World total	57.1	67.9	63.2	71.4	69.3
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
Proportion of world U.S. total	50	50	43	46	43
Brazil soy	6	8	12	12	14
All other	44	42	45	42	43

[1] Calculated from assumed crushings and extraction rates applied to that portion of each crop available for crushing and/or export and not actual crushings. [2] Estimated. [3] Forecast. [4] Projection.

Special report on

Drought in Western Europe

U.S. Agricultural Attachés At Six West European Posts Reported in Early July on Effects of Drought On Farm Output and Trade

Paris

Unprecedented heat and continued lack of rainfall in northern and western France have taken a further toll on French grains. As a result, estimates for the three principal grains are down, and this usual top European exporter of corn could conceivably become a net importer of that product in 1976/77.

Commercial collection of wheat is estimated at 12 million metric tons, including 500,000 tons of Durum, down 100,000 tons from the last estimate. Based on conditions reported as of early July, total production is estimated at 14.8 million tons. Even if the drought breaks, little revision of these estimates is seen.

Given the drawdown of France's old-crop wheat—stocks of which, combined with Durum, will total about 1.4 million tons—little further reduction of stocks is likely. Exports will be reduced to perhaps 5.5 million tons, and imports of wheat should remain at the 360,000-ton-level previously forecast.

French barley production is estimated at 7.6 million tons, based on early-July conditions. With reduced production and slightly higher total feed use, barley exports may amount to only about 1.5 million tons.

Latest estimates put the French corn crop at 5.7 million tons, based on early-July conditions. Exports of French corn will probably be negligible, and imports could increase. —KENNETH E. OGREN

London

Despite 16 consecutive days with afternoon temperatures of around 90 degrees, following earlier hot spells in May and early June, U.K. agriculture is in generally good condition. Farmers remain confident of good crop yields, although potatoes and sugarbeets could be more adversely affected if drought and high temperatures continue for very long.

The drought is most severe south of a line from the Severn to the Humber Rivers—in other words, in the south, the southeast, the east, and the eastern Midland areas of England. Although the entire United Kingdom now has had 16 consecutive days of extreme heat, plentiful rainfall earlier in northern and western districts provided generally adequate moisture for maturing crops.

In the main grain and sugarbeet area of the east and southeast, the major difference from last year's drought is that crops for harvest in 1976 went into seedbeds of almost unprecedented excellence. Last year's generally reduced yields of grain were caused largely by the extremely wet winter and spring of 1974/75. The winter and spring of 1975/76, following last summer's dry spell, provided a complete contrast. Harvesting of early barley is already underway in southern and eastern parts of England, and yields are reportedly above last year's.

The *Times* newspaper survey of conditions at the end of June, based on a scorecard of 100 maximum points equaling absolute perfection of crops, indicates that wheat in the United Kingdom this year scores 94 compared with 90 in 1975; barley, 90 (against 84); oats, 91 (88); potatoes, 89 (85); sugarbeets, 85 (87); and grass, 85 (82).

Some other reports during the last few days indicate that perhaps that picture was a little over-optimistic. Yields of grain above last year's are still predicted, although they will probably not be as high as in 1974. On this basis, we would predict a total grain harvest of 15-15.5 million tons.

The outlook for pastures is more complex to assess, but in those areas where grazing is the backbone of agriculture, many reports speak of an abundance of grass, particularly in upland areas and in Northern Ireland. The only exception to this observation is that grazing areas in southwest England (Devon and Cornwall) have been seriously hit by dry weather. —WILLIAM L. RODMAN

Dublin

Unlike many European countries, Ireland's crops so far have not been affected by the current dry spell, although domestic water supplies are running short. In fact, observers predict bumper yields for most crops. Rain was ample in the critical spring/early summer periods and ground moisture remains adequate. Experts say that even if dry weather continues, cereals now will not be affected.
—CHARALAMBOS S. STEPHANIDES

Bonn

The low moisture situation prevailing from February on developed into a real drought in June, when in the second half of the month a heat wave hit practically all of West Germany. Especially hard hit—with rainfall less than 10 percent of normal in June—was Schleswig-Holstein in the north and a belt stretching through the Saarland, southern Rhineland-Palantinate, parts of Baden, and Lower and Middle Franconia (northwestern Bavaria). Also affected are the sandy soil areas of lower Saxony.

Despite reassuring statements by Federal Minister of Agriculture Josef Ertl that no overall supply difficulties are likely, some farming areas have begun feeling the pinch of the extreme drought. One indicator of this is the above-normal slaughterings of cattle in drought areas (including heifers and milking cows). Farmers there also have started feeding from their winter hay and silage supplies.

However, some good soaking rains during the next 2 weeks could greatly improve the roughage situation. Also, there exists the possibility of growing intermediate fodder crops once weather returns to normal.

By the end of June, the growth status reports of the agricultural meterological stations showed "good" only for the coastal areas of the north and the area south of the Danube River. Most other stations reported the growth status as only "satisfactory," or even worse.

Based on early-July conditions, total grain production is estimated at about 20 million metric tons. This compares

with crops in 1975 and 1974 of 21.26 million tons and 22.65 million tons, respectively.

Since the drought conditions especially affected grains in lighter soils and the spring grains more than the winter grains, any deficit will be mainly in the feedgrain sector, rather than in wheat. Consequently, earlier wheat import estimates of 1.6 million tons—400,000 from the United States—should hold. Any possible wheat crop shortfall would probably be accounted for by further stock reductions and reduced exports.

However, a 1-million-ton decline in the total grain crop from last year's would require larger corn imports, despite the prospect of increased livestock slaughter. For any heavier slaughter due to the drought will tend to be in less-intensive grain-consuming animal units such as dairy cattle.

The outlook for other major crops is not clear because rains in the near future could still greatly improve the situation. Beets, both feed and sugar, and corn, both for kernel and green feed production, look spotty and uneven in many places. Except for corn for grain, which plays only a minor role in the overall grain supply, these crops would mainly affect the cattle feed and, in the case of sugarbeets, the sugar supply.

Since sugarbeets are mainly grown on heavy soils, which hold the moisture better than light soils, and not so much in the drought-stricken areas, we do not foresee supply difficulties for this crop. The expected lower yields may be offset to some extent by area expansion and possibly by higher sugar content.

The total potato area reportedly has not been expanded. Early potatoes are now being harvested and apparently were only moderately affected by the drought. The bulk of the potato crop, including Middle Earlies, Middle Lates, and Lates, may not yield very high—but enough to cover demand for eating purposes. This seems especially likely since the existing high prices may keep farmers from feeding more than is absolutely necessary. However, should the present drought continue, the small potato crop will increase the "energy deficit" in feeding and might result in an additional feedgrain import requirement of several hundred thousand tons.

The first cutting of the hay crops reportedly produced normal yields of excellent-quality hay. Of great concern now are the parched meadows and pastures where there is practically no aftergrowth in many areas. Should this situation continue, there will be a real roughage shortage, with the following consequences:

- Emergency livestock slaughterings at an increasing rate;
- Maintenance of cattle herds on reduced rations;
- Increased requirements for imported oilseeds and meals to supplement inferior roughage such as straw; and
- Increased sowing of fall and winter catch crops.

—TURNER L. OYLOE

USDA Grain Team To View Drought

A two-man USDA grain team will leave Saturday for a 2-week investigation of drought conditions in Western Europe. Its findings will supplement continuing reports from U.S. Agricultural Attachés stationed at American embassies there.

Much of Western Europe has been affected by one of the most severe droughts in this century. France, the largest agricultural producer in Western Europe, appears to be most seriously affected. In addition, parts of Spain, southern England, the Po Valley of Italy, and northwest areas of West Germany are of major concern.

The USDA team will view damage to grains, protein crops, pastures and forage, and will meet with feed compounders and other leaders to assess feed utilization and the impact on livestock and poultry industries. The countries to be visited were in 1975 markets for U.S. farm products totaling $5.9 billion, of which grain and oilseeds and their products accounted for almost $4 billion.

The Hague

Dutch farmers are concerned over the lengthy drought in the Netherlands and other parts of Europe, although so far damage to crops has been limited. The 1-inch rain that the Netherlands received on June 19 and 20 improved the situation somewhat, but crops such as potatoes and sugarbeets need more rain in the coming months.

The Dutch potato crop is not yet in danger, although growth of the tuber is retarded. July and August rains, however, could still make up for this. Nevertheless, quality of potatoes will probably be below normal.

Owing to a night frost in late April, roughly 10 percent of the 140,000 hectares of sugarbeets had to be resown. The condition of this part of the sugarbeet crop is being adversely affected by the drought. Roughly 20 percent of the sugarbeet acreage is on light soil and is in need of rain, while the rest of the acreage is on clay soils and in perfect condition.

Grassland has also been damaged by lack of rain. Hay harvesting was delayed 10 to 14 days longer than normal, and yields are 15-30 percent lower than in 1975. In some areas, mainly on the light soils, the corn-for-silage crop has not done well. Lower grass and corn production endanger the roughage position for the coming winter months, with oversupply of slaughter cattle and a disrupted livestock market distinct possibilities. On the other hand, the European Community dairy situation may temporarily improve.

As yet, the onion-from-seed crop has not been adversely affected by the drought, although there is need for rain. Onions-from-sets—roughly 5-10 percent of the onion crop—are suffering from lack of rain, and in some areas the situation is worsening.

So far, grain has suffered no major consequences from the drought. The overall conclusion, apart from the roughage position, is that the situation in the Netherlands is satisfactory. This is not the case in Belgium and France, where the situation is worse, possibly having an effect on prices later in the year.

—JAMES A. HUTCHINS, JR.

Madrid

Government and industry opinions vary greatly on effects of the currently spotty drought conditions in Spain. Most press reports now forecast wheat production to be greater than before the start of drought, but we prefer to hold with our earlier estimates. Barley production will probably fall because of the drought.

As things now stand, the barley crop looks as if it will be down about 1 million tons from the earlier forecast to

5.25 million tons. Feed use of barley is now pegged at 4.6 million tons, and exports will be nil.

The production deficit will likely be made up by imports of corn, as the country can ill afford a reduction in livestock and poultry numbers at this time. Recent corn imports were limited because of lower prices for old-crop barley—7.50 to 8 pesetas per kilogram, compared with 10.6 pesetas per kilogram for imported U.S. corn, c.i.f. Bilbao. However, all the old barley is now gone, as well as stocks of imported corn. New barley, priced at 8.50 pesetas per kilogram, will be fed to swine and cattle.

—CLARENCE L. MILLER

Lardinois Assesses Impact Of European Drought

At a news conference in Brussels July 9, Petrus Lardinois, EC Commissioner for Agriculture, assessed the drought's impact on Common Market crops:

Grain. The total 1976 grain harvest could fall 5 percent short of 1975's mediocre harvest of 97 million tons.

Sugar. Production will reach 9.5 million tons at most, and could fall below 9 million. No shortages are expected because of stocks and deliveries of about 1.2 million tons from African, Caribbean, and Pacific countries that are parties to the EC's Lome Convention.

Beef. This market has the most problems. More animals than usual have had to be slaughtered because of fodder shortages, and at the same time, people are eating less beef. Price support measures by the Commission have offset to some degree the effects of steeply falling prices.

Milk. Despite recent decreases, overall production this year will be about the same as last year. There will be another surplus of dairy products.

Fruits and vegetables. Production could drop slightly, while demand has been and will continue to be much stronger. Unless rain comes soon, potato shortages like last winter's will occur.

Foreign Investment in Egypt: Opportunities and Obstacles

By WILLIAM H. SCOFIELD[1]
Agribusiness Consultant
Economic Research Service

EGYPT—virtually closed to non-Arab investors before the October 1973 war—has recently launched an "open door" policy toward foreign investment, including that in land reclamation, irrigation, livestock, and other agricultural projects. But while they now find Egyptian policy welcoming them, foreign investors must still cope with a number of regulations, such as tax and currency exchange laws that tend to limit chances for profit.

Egypt's new investment policy and regulations are contained in Law 43, issued in June 1974.[2] This law greatly modifies previous legislation pertaining to taxation, employment practices, and repatriation of profits and capital. It also gives protection against nationalization, confiscation, and sequestration and establishes the framework for free trade zones and joint ventures.

Among investment areas favored—

- Industrialization, mining, energy, tourism, transportation.
- Reclamation and subsequent cultivation of barren lands under long-term leases not exceeding 50 years but renewable for up to 50 more years. Projects for developing animal production and irrigation are also included.
- Projects for housing and urban development (limited to Arab capital).
- Investment companies and banks, reinsurance companies with activities limited to free currencies.
- Banks engaged in local currency transactions in which Egyptian capital holds at least 51 percent.

Activities permitted in the free zones include storage of transit goods, as well as domestic export products on which taxes have been paid. The manufacture, assembly, and processing of both domestic and foreign raw materials are also permitted. However, when such products are transferred to the domestic market, import duties must be paid because they are treated as conventional imports.

Since the passage of Law 43, foreign investors have shown considerable interest in Egyptian projects. Among the attractions in the agricultural and food sectors are the large areas of partially reclaimed land, a year-long growing season, low-cost labor, and proximity to export markets in nearby Arab countries with food deficits and hard currencies. Most OPEC countries have established investment offices in Cairo and have funds available for joint ventures with Western countries. Programs offered by this country's Overseas Private Investment Corporation are in effect, and a U.S./Egyptian tax treaty is being negotiated.

The Egyptian market is the largest in the Mideast and can be expected to expand further as incomes rise and migration to the cities continues. Poultry, dairy products, and meats are the foods most in demand.

Reflecting these opportunities, investment proposals totaling more than $3 billion have been approved since January 1, 1974, although few of these projects have actually been started. U.S. investment is estimated at $250 million, almost entirely in petroleum exploration and development.

Despite the attractions, and the encouragement given by the new legislation, several problems could deter many foreign investors. Some are of special concern to foreign firms seeking entry into food production and processing, while others are general and apply to all business ventures in Egypt.

Foremost among the general constraints are those associated with the inconvertibility of the local currency

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[1] The author was a member of the Agricultural Sector Assessment Team, which spent 6 weeks in Egypt in October and November 1975 for the U.S. Agency for International Development. Further details appear in Foreign Agricultural Economic Report No. 120, *Egypt: Major Constraints to Increasing Agricultural Productivity.*

[2] Arab and Foreign Investments and the Free Zone Authority, Law No. 43, June 1974.

and adherence to the official exchange rate (£E1=US$2.55), rather than the parallel or more realistic exchange rate. Investors need assurance that they will receive consistent exchange rates in the future—that is, the same rate for funds invested and for repatriation of capital and profits. Because of the present differential between the two rates, an investor could possibly lose 40 percent of invested capital. However, steps are now being taken to establish a free market for the Egyptian pound.

Tax treatment of dividends is another problem area. Dividends are exempt from Egyptian taxes for the first 5 to 8 years, but then taxes are levied on both profits of the company and dividends transferred out of the country. Another provision exempts taxation of dividends only if such dividends are not subject to tax in the country where the shareholder resides. This is contrary to the tax laws in most industrialized countries. Tax treatment of the wages and salaries of foreign nationals employed by firms with operations in Egypt would likely discourage recruitment and staffing.

Domestic tax rates are more steeply graduated than in most other countries and hence would bear heavily on the higher salaries needed to attract technical and managerial people. The income of foreign workers in free trade zones is tax exempt, and a similar exemption is needed for personnel working outside these zones.

The economic viability of most foreign investments in Egypt depends largely on production of exports for markets with convertible currencies. Such foreign exchange is needed to pay for raw materials; foreign debt service; and special payments.

PRODUCTION for the domestic market is allowed only when it benefits the Egyptian economy through import substitution and consequent savings in foreign exchange. For example, a net saving of $5 million would result if a domestic venture requiring $10 million in foreign exchange for raw materials resulted in a saving of $15 million for imports of finished goods. It would also create employment and attendant multiplier effects, as well as technical and managerial expertise. Such opportunities are quite limited in the food sector because the value-added component is usually less than for manufactured goods.

The Government's heavy involvement in many agricultural undertakings, often with associated subsidized prices, further impedes ventures that would be feasible in a competitive pricing system. This problem is most apparent in the domestic market, where Government policy has long been aimed at maintaining low prices to consumers. Although regulated commodities reflect competitive prices to varying degrees, assurances will be needed that production in the public sector will not be expanded so much that prices in both sectors are forced below production costs.

PRODUCTION efficiency in the public sector is usually evaluated in terms of meeting physical quotas, rather than maximizing return on investment. This is evident for State farms on new lands where only direct costs are recognized. Capital costs for land development have been substantial, but no charge is made under the present system of accounts. Thus, it is difficult, if not impossible, to compare production costs on State farms with those for similar operations in the private sector.

The multiplicity of government agencies with which foreign investors must negotiate and the time required to obtain final approval add still another dimension to the problems of foreign investors. The committee system is widely used to reach decisions, and much time is consumed in obtaining unanimous agreement, even though there is no such legal requirement. Officials appear to be sensitive to possible charges of corruption or collusion in dealing with foreign firms, and consequently have been reluctant to aggressively pursue major investment projects.

Foreign investors face more frustrations in implementing a venture after approval is obtained. Transportation and communications facilities reflect a decade or more of neglect, and many basic domestic raw materials are in short supply and under allocation systems. This is especially evident for cement, steel, and electrical equipment.

USSR Grain Production Revised Upward

Total Soviet grain production during 1976 was estimated by FAS on July 9 at 195 million metric tons, up 5 million tons from the forecast issued June 22.

The area estimate is unchanged at 128 million hectares, but yields are expected to be slightly higher than anticipated previously.

Since the earlier forecast, weather conditions in the European USSR on the whole have remained favorable for grain crop development. Good rains have improved soil moisture in several regions east of the Urals, especially in Kazakhstan, although some Siberian regions have continued to experience a moisture deficit.

In the zone from the Urals eastward, however, the crop can be affected greatly by subsequent weather. Thus the final outturn could still deviate from the current forecast by at least 10 million tons.

The Soviet wheat harvest now is forecast at 80 million tons, compared with the previous forecast of 75 million. Nearly all of the improvement in weather conditions occurred in the predominantly spring wheat producing areas.

In addition, the report of a U.S. winter grain team to the USSR suggested that winter wheat prospects were somewhat better than estimated on June 22. The team visited seven regions that generally account for about 25 percent of the winter wheat crop.

A wheat crop of 80 million tons would be up a fifth from last year's output, but still relatively low compared with production in other recent years, especially in relation to the record 110 million tons in 1973.

The forecast total production of grains other than wheat is unchanged since June 22. These grains are grown primarily in the European USSR and are predominantly spring sown—the principal exception being rye.

Owing to favorable weather conditions in most of European USSR and some expansion in area, a record crop now is forecast for grains other than wheat. Barley production seems likely to hit a record level.

A total grain harvest of 195 million tons—55 million above last year's level—would roughly equal the 1974 crop, the second best on record. It would be considerably below the plan of about 205 million tons.

Further reports will update the Soviet grain forecast at about monthly intervals. The next report is scheduled for about August 11.

Cut Output, Raise Prices, Australia's Dairies Ask

By HARLAN J. DIRKS
U.S. Agricultural Attaché
Canberra

PLAGUED by growing surpluses and sagging world markets, the Australian dairy industry has decided to embark on a bold new program to cut production as a means of solving the chronic surplus problem and improving returns to dairy farmers.

The problem is concentrated in the manufacturing sector (especially butter and skim milk powder), which now must sell nearly half of these products overseas.

World market prices for manufactured dairy products have dropped sharply in the past 18 months, leaving the Australian dairy industry with burdensome stocks and in a very depressed economic situation.

For the past 40 years an equalization pooling arrangement has been used for averaging prices for Australian manufactured dairy products between the domestic and the export markets. However, falling world prices have meant that returns to producers are being sharply eroded for that portion of production going into export sales.

With dismal prospects of any substantial improvement in world prices in the near future, Australia's dairy industry leaders have concluded that some radical and fundamental structural changes are needed within the industry to correct this problem. The consensus is that milk production will have to be cut by up to 20 percent to eliminate unprofitable export returns and to yield profitable prices to dairy farmers.

The industry is now looking for ways to speed up the normal exit rate of dairy farmers. During 1970-74 the number of dairy farms dropped from 59,570 to 43,110. At the beginning of 1976, it was estimated that the number of dairy farms had fallen to about 33,000.

The Federal and State governments now believe another 8,000 dairy farmers must leave the dairy business in order to get supplies closer in line with market needs. This would leave the industry with 1.9 million cows on about 25,000 dairy farms and a production level of about 5.4 million metric tons of milk compared with present production of 6.6 million tons in fiscal 1976.

The lower level of production would leave about 3.7 million tons of milk for factory use instead of the current level of 4.9 million tons. The market for fluid milk is expected to remain fairly constant at 1.7 million tons.

The current crisis is aggravated by one of the most severe droughts ever to hit the main dairy producing State of Victoria. On May 10, 1976, the Federal Government announced a short-term emergency plan to assist dairy farmers through this crisis period. The package plan between the Federal and State governments covers the following assistance measures:

- The underwriting of the equalization value for skim milk powder at $A300 ($A1.23=US$1) per ton for the remainder of the 1975/76 season and an increase in the rate of Government advance from 80 percent to 100 percent. The cost of underwriting is to be based on the quantity of skim milk powder covered by the equalization pooling arrangements for the 1975/76 season, and is to be shared by the Commonwealth and the States on a 2-to-1 basis. It is expected to cost the Federal Government $A10 million and the States $A5 million.
- An additional $A2 million is to be provided by the Commonwealth for the remainder of this financial year under the Dairy Adjustment Program for relocation, diversification, farm amalgamation and development, and for carry-on loans for dairy farmers experiencing financial difficulties. The States are to match the Commonwealth funds for use as carry-on loans.

Adjustment assistance, including carry-on loans, will be handled through the respective State authorities administering the Dairy Adjustment Program. Assistance is open to any eligible dairy farmer and is not limited to producers affected only by the problems in the skim milk powder sector.

All applications approved up to June 30, 1976, will be funded within the limit of the additional funds now available. The necessary legislation to give effect to this extension of the program has been presented to Parliament.

In addition to these specific measures of assistance, dairy farmers as well as other primary producers are now entitled to receive unemployment benefits.

As announced on May 10, the Government has decided to vary the conditions of eligibility for unemployment benefits to enable dairy farmers and other primary producers suffering financial hardship to qualify for assistance. This move was aimed especially at giving some relief to the drought-stricken dairy farmers in Victoria.

Producers applying for unemployment benefits will have to satisfy the tests of being available for employment and of actively seeking employment. A factor in satisfying the test of being unemployed will be whether the farming business is assessed as returning a net income lower than the rate of unemployment benefit because of a substantial reduction in market returns suffered by the industry, combined with droughts or other like factors.

The question of what further aid is to be made available to the dairy industry will be taken up following receipt by the Federal Government of the Industries Assistance Commission (IAC) report, which is due August 31. However, a good share of the 1976/77 marketing year could be over before the recommendations in this report can be acted upon by the Government.

IN THE MEANTIME, the Federal Government has informed the States that it is prepared to continue to maintain arrangements for underwriting the skim milk powder pool at $A300 per ton, which is expected to last about 6 months beyond the current marketing season.

The Federal Government also has proposed to underwrite the casein pool on an equivalent return basis. The Federal Government has estimated a cost of $A17 million for its contribution on a 2-to-1 basis with the States.

The near-term outlook for the Australian dairy industry without Government aid is not at all bright. The longer term outlook is somewhat better, but only if some fundamental adjustments occur within the industry. In spite of the present drought, the problem of surplus

milk for the manufacturing sector—mainly butter and skim milk powder—will continue into 1976/77.

On current indications, the 1975/76 butter/skim milk powder pool should return producers about 40-45 Australian cents per pound of butterfat. For 1976/77, calculations now indicate a return ranging from a low of 31 Australian cents to a high of 40 cents per pound of butterfat without further Government aid.

The Australian Dairy Farmers' Federation has asked the Government to guarantee a return to farmers in 1976/77 of 65 Australian cents per pound of butterfat. The Australian Dairy Corporation has concluded that in order to get this kind of a return, milk output for 1976/77 would have to be reduced to about 4.9 million tons—well below the actual forecast level of 6.2 million tons. This would call for an immediate reduction of about 21 percent of the current forecast.

The same study indicated that about 86,000 tons of butter, 100,000 tons of cheese, and 58,000 tons of skim milk powder would need to be produced in 1976/77 to get a return of 65 Australian cents per pound of butterfat. Actual production for 1976/77 is now forecast as follows: Butter, 141,000 tons; cheese, 116,000 tons; and skim milk powder, 147,000 tons.

Indications are that this level of output would return about 45 Australian cents per pound of butterfat to the producers of factory milk for all uses. This figure hardly covers the variable costs of production.

The Australian Agricultural Council has agreed that the only way to deal with the surplus dairy problem in Australia is to bring dairy supplies more into line with market opportunities.

The consensus of this Government organization is that production must be cut by at least 15 to 20 percent, and some are advocating as much as 25 percent. The Council agreed on the following guidelines for curbing future dairy production in Australia:

- No new dairy licenses would be issued in the coming financial year other than in exceptional cases. This does not preclude the transfer of licenses by sale, nor upgrading in the standard of existing dairies.
- There will be urgent examination of additional ways of assisting dairy farmers to leave the industry and the extension of existing forms of dairy adjustment to farmers.
- Amendment of systems operating in individual States, so that farmers holding quotas for the fluid milk market will no longer be required to fill individual dairy quotas during the off-season.
- In any contraction of dairy herds in individual States, there would be integration with the program for eradication of bovine brucellosis and tuberculosis where appropriate. In this regard, the Council said it would examine the possibility of introducing a system of slaughter compensation along the lines operating in Victoria.

The question that remains is how these recommendations will blend with those in the forthcoming IAC report. An interesting aspect of the Council's recommendation is the proposed rule on milk quota maintenance.

Under the Council's guidelines, producers would no longer be required to maintain their off-season quotas. This means that fewer cows would be needed and that producers would not have to force-feed in off-season periods to produce additional milk. Milk from the manufacturing sector could be used to fill this gap.

Some industry experts claim that this could be a significant factor in cutting back on surplus milk supplies over time.

India's Drive To Boost Cashew Exports Hurt by Raw Nut Supply Problems

India's drive to increase exports and foreign exchange earnings has resulted in expanded cashew acreage, but processing supplies remain short, according to Oldrich Fejfar, U.S. Agricultural Officer, Bombay. Inaccessibility of some growing areas, high prices demanded by East African cashew shippers, and efforts by East African countries to build their own cashew processing industries are inhibiting the hoped-for increase in the volume of Indian cashew nut exports.

India's 1975 cashew production is estimated at 115,000 metric tons (raw nut basis), which is on a par with 1974's production level. In some areas, picking of raw nuts is either uneconomical or difficult, and a large quantity is wasted. The volume of raw nuts actually reaching processing factories, therefore, has not shown much growth during the past few seasons. In 1975, processing plants closed early due to nonavailability of raw nuts.

Difficulties experienced in importing raw cashew nuts last year have given impetus to Indian Government efforts to find more efficient ways to boost domestic cashew output, Fejfar reports. The Kerala State Government recently approved a project for cultivating cashews on 12,000 hectares of new land (1 ha= 2.471 acres).

The Karnataka Forest Plantation Corporation has proposed to undertake a new cashew plantation scheme at a cost of 30 million rupees. (Rs1=approx. 11 U.S. cents.) The corporation has so far raised cashews on 16,000 hectares in Karnataka State and will bring more acreage under cashew production over a 10-year period. The State's output is said to be unsatisfactory at present, however, due to lack of funds for improving cultural practices, although research is continuing to improve yields.

The Cashew Research Station at Vengurla in Maharashtra State has developed a new variety called "Vengurla 37-3," which yields about 28 kilograms per tree—14 times the usual per-tree yield of 1.5-2.0 kilograms. Another new variety is "Vengurla 1," which has yielded 12 kilograms per tree of bigger than usual cashews. Both varieties are described as having good economic possibilities, Fejfar says.

India's cashew imports, most of which are processed for reexport, are forecast at 135,000 tons (raw nut basis) for calendar 1975, a 24-percent decrease from the previous year's level. High prices demanded for raw nuts by the principal exporters in East Africa, coupled with a program to step up domestic processing in that area, are contributing to this decrease in Indian exports.

African raw nut prices (c.i.f. Cochin) jumped dramatically in 1973—19 percent over the previous year's cost—compared with a low average yearly increase of 3 percent between 1968 and 1972. More recently, price increases have moderated somewhat but are still comparatively high. For example, African average unit prices for January-September 1975 were over 12 percent higher than the previous comparable period.

Indian cashew nut imports from East Africa have averaged 174,000 metric

tons over the last 5 years, but have declined every year since 1972 when they peaked at 192,879 metric tons. Imports in 1975 (placed at 135,000 tons) will be no exception. Imports during the first 6 months of the year ran 31 percent behind imports during the same period in 1974.

Exports of cashews are also expected to decline from the calendar 1974 level of 57,800 tons (kernel-weight basis) to 51,900 tons, the lowest level since calendar 1967, Fejfar reports. Behind the expected drop in 1975 exports of cashew kernels were reduced Indian imports of higher priced African raw cashews and resultant high kernel prices, recession in many countries, and consumer resistance to rising prices, intense competition from the African processing industry, a fall in demand from the United States, and lack of active interest in Indian cashews by the Soviet Union.

India's domestic consumption of cashews is estimated at 25,000 metric tons of raw nuts during 1975, about the same as in the previous year. Cashews are popular in India, but because of their high price are beyond the means of the average consumer.

Carryover stocks of cashews at the end of calendar 1975 were large (20,000 tons, raw nut basis) because of the sluggishness of exports, but 35 percent lower than the previous year's level. A large part of India's 1974 cashew stocks of 27,000 tons had actually been purchased by the Soviet Union during that year but was not shipped until the first quarter of 1975.

The average export price of cashew kernels during the first 9 months of 1975 was 115 cents per pound for 320 count, compared to 121 cents during the comparable period in 1974. This is attributable to a fall in demand from the United States and some other European countries, primarily because of consumer resistance to prices which have risen sharply since 1973.

An abrupt price rise was noted in April 1975 when prices peaked at 128 cents per pound—a result of the Soviet Union's purchases at a period when there was an acute shortage of raw nuts. Prices continued high during May (122 cents) but have subsequently declined because of weakened export demand. The export price in March 1976 was 112 cents per pound for 320 count, compared with 110 cents per pound during the same period a year earlier.

Venezuela Pushes Farm Programs

SEVERAL SECTORS in Venezuela's agricultural economy are now showing signs of renewed life as a result of huge transfusions of Government credit. The Government of Venezuela hopes that support being given to the country's agriculturists will result in increased productivity and ultimately reduce food import requirements.

But, for such a transformation to occur, producers will need a larger number of livestock for breeding, more bovine semen, high-quality agricultural seeds, and other necessary inputs—much of which must be imported, a large part coming from the United States.

Cattlemen, both milk and beef producers, have been the chief recipients of much of the credit granted thus far. As a result, the number of dairy and beef breeding livestock imported from the United States during calendar 1975 increased from 461 head, valued at $387,000 in 1974, to 563 head, valued at $361,000.

Dairy-breeding-stock exports were the only cattle category for which U.S. exports to Venezuela were up during most of calendar 1975. But late-year sales resulted in a $1.1 million increase in U.S. beef, dairy, and swine breeding stock exports during the first 2 months of 1976 from the $49,000 value registered in this same period a year ago. U.S. bull semen exports to Venezuela were up 111 percent in value to $19,064 during calendar 1975 and had already increased to $32,000 during only the first 2 months of 1976.

In addition to the large numbers of breeding cattle and semen being purchased from the United States, Venezuela recently imported 109 head of Holstein cattle and 100,000 ampules of livestock semen from Canada. This semen is for production of Holstein, Chianina, Brown Swiss, Simmental, and Maine-Anjou breeds.

Canada may be a source for more dairy cattle and semen, but is not expected to compete heavily in Venezuela's beef-cattle import market. Extreme differences in climatic conditions between Canada and Venezuela make acclimatization of imported strains more difficult.

In addition to the larger quantities of breeding livestock and semen being imported, the Government is helping the cattlemen by providing greater amounts of locally produced semen at a low, fixed price of $1.15 per ample. In other efforts to support its livestock sector, Venezuela is distributing anti-aftosa vaccine at only 6 U.S. cents per dose, is distributing fertilizer and calcium at low subsidized prices, and has fixed the price of barbed wire and various types of farm implements.

Government development programs have been responsible over the last year for the construction of 1,200 barns, 5,000 wells, 80 irrigation facilities, 1,400 farmhouses, 2,300 equipment sheds, and 1,500 kilometers of farm-to-market roads. The Government has also built 300 small dams, 1,200 lagoons, and purchased close to 100,000 head of bulls, brood cows, and younger animals for distribution to small ranchers.

Work continues on draining and clearing projects and on the construction of irrigation works and other infrastructure for opening up close to 2 million hectares of new farmland. (1 ha=2.471 acres.)

As new areas become arable or other areas are improved, livestock producers are expected to require more high-quality seeds for developing new, or upgrading existing, pastures. Although grass seed imports from the United States did not increase during 1975, a significant increase had already occurred during January-February 1976.

U.S. exports of forage seed in calendar 1975 totaled 29,000 pounds, valued at $35,000. These represented reductions of 54 and 33 percent, respectively, from those of the previous year.

Largely because of the Venezuelan development and credit programs, as well as to higher producer support prices, imports of U.S. grain sorghum, bean, and sunflower seeds have, nevertheless, begun to increase. In calendar 1975, U.S. exports of grain sorghum seed increased by 727 percent and bean seeds by 216 percent to $920,000, and $55,660, respectively (U.S. data are not available for sunflower seed exports.)

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Burley Marketing and Trade Seen To Be Improving

A NUMBER OF optimistic signs indicate that burley tobacco marketing and trade may be improving, B. G. Andrews, Director of the Tobacco Division, Foreign Agriculture Service, told the annual meeting of the Burley Leaf Tobacco Dealers Association in Kentucky recently.

Consumption of and demand for burley leaf continue to expand worldwide and U.S. production and supplies have apparently stabilized at adequate levels.

The 1975 world burley crop was a record 1.2 billion pounds. U.S. production, at 639 million pounds, was the largest burley crop since 1963. Although most major world producing areas expanded their crops in 1975, the United States still accounts for about 50 percent of world burley production. A good growing season could provide a U.S. crop equal to last year's and marketings could be sufficient to meet anticipated domestic and export requirements.

For the 10-month (July-April) period of fiscal 1976, U.S. burley exports are substantially higher than those of the same period a year ago. Total outward movement, at 60.8 million pounds, was up 39 percent from the 43.6 million pounds in the same months a year ago. The export value at $110 million is ahead by 57 percent. Most of the rise in U.S. burley exports is to the Philippines and Switzerland, whose purchases are up by about 8 million pounds to an amount equal their usual annual acquisitions. Exports to the European Community for the 10 months are up 12 percent, primarily because of increased shipments to Italy. The value of shipments to the EC is up by 28 percent.

In contrast to most other EC members, U.S. sales to West Germany are down 3 million pounds. Syria's purchases are also off by more than 1 million pounds, but the country may take more tobacco later in the year. U.S. shipments to Japan, at 8.3 million pounds, were 20 percent above those of the same period a year earlier.

Thailand—which usually purchases about 3 million pounds of U.S. burley annually—has recently been granted a sizable line of credit to purchase tobacco.

Recent bulk smoking tobacco exports during July 1975-April 1976 totaled 10.6 million pounds, compared with 33.8 million pounds in the same period a year ago.

Exports of cigarettes in the period are up 21 percent. These products are thought to contain substantial blends of burley leaf, Andrews noted.

U.S. burley export prices are usually higher than competitive prices from foreign areas and U.S. prices have been rising. In 1975, U.S. burley exports (actual weight) averaged about $1.76 per pound, compared with $1.40 in 1974 and $1.25 in 1973. Competitive prices for foreign burley exports have also risen sharply but the margin of difference remains significant.

For example, tobacco purchases by the Australian Tobacco Monopoly indicate that while the c.i.f. value of U.S. tobacco increased to an average $1.51 per pound, rising 13 perecnt compared with that of 1974; the cost of competing leaf averaged 97 cents per pound, 24 percent higher, according to Andrews.

Trade negotiations for agriculture are moving slowly. The United States is not nearly so restrictive on farm-product imports as are most other countries, which leaves U.S. agriculture with relatively little to offer in negotiating for the trade liberalization that the United States is seeking abroad. Unless agriculture and industry are discussed together, there may be little gain for this country.

Developments so far include some actions on the Generalized System of Preferences (GSP) affecting tobacco. Tobacco is not included on the U.S. General System of Preferences commodity list. The European Community, however, has included tobacco on the tropical-products offer list for GSP tariff preferences for developing countries. These preferences will result in duties equal to about half the most-favored-nation (MFN) rates for tobacco, with a quota mostly on flue-cured leaf.

The U.S. tobacco industry has taken a strong position against these duty reductions for tobacco grown in the EC unless they are granted on an MFN basis. Whether the United States can offset these measures may depend on the gains it makes—or fails to make—at the negotiating table in Geneva.

Burley Demand Grows

Demand for burley tobacco in world markets continues to expand and may rise 2-3 percent annually over the next few years as the trend to greater use of American-blend type cigarettes continues to rise. But U.S. export volume greatly larger than current levels may not be easy to attain as expanding burley production in foreign areas each year brings stiffer competition with U.S. leaf.

Maintenance of quality burley production and adequate supplies for export are essential if U.S. growers hope to keep their market share.

BURLEY TOBACCO: WORLD PRODUCTION BY MAJOR COUNTRIES[1]
[In millions of pounds]

Country	Average 1960-64	Average 1969-73	1974[2]	1975[3]
United States	623.0	535.2	612.6	639.0
Italy	25.1	76.7	67.8	89.3
Korea, Rep. of	3.5	46.2	52.9	62.7
Mexico	10.5	11.5	42.6	42.2
Japan	18.4	28.6	41.6	48.3
Spain	38.7	34.6	34.1	42.9
Brazil	4.0	27.5	33.1	59.5
Argentina	1.7	14.0	14.2	24.2
Greece	2.6	28.5	24.3	29.8
Malawi	3.9	11.7	11.8	15.2
Other	43.2	101.5	160.1	183.2
Total[4]	774.6	916.0	1,115.1	1,236.3

[1] Production on-farm sales-weight basis, which is about 10 percent above dry weight normally reported in trade statistics. [2] Subject to revision. [3] Preliminary. [4] Totals computed on unrounded data.

Prepared or estimated on the basis of official statistics of foreign governments, other foreign source material, reports of U.S. Agricultural Attachés and Foreign Service Officers, FAS research, and related information.

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World Oil, Meal Supplies Seen Tightening

Continued from page 3

of 1973/74. During the first 3 weeks in June, the Decatur price for soybean meal, for instance, averaged $205 per metric ton, compared with the previous low of $110 per ton in June 1974 and $133 per ton last June.

Oil prices currently are running 10 percent above the May 1976 low, but the June price of U.S. soybean oil, Decatur basis, still averaged more than 60 percent below the 1973/74 peak of $955 per ton reached in August 1974.

The high oil prices of 1974 reflected reduced 1974 oilseed crops in the United States and the USSR, plus smaller world output of industrial oils and animal fats. These reduced availabilities at sharply higher prices eventually curtailed demand and held world oil exports well below the long-term trend in both 1974 and 1975. Coinciding with the constricted demand, steady growth in palm oil output—particularly in Malaysia—and rebounding production of soybean and other oils turned the supply situation around, leading to the present price weakness.

This decline has carried oil prices close to their alltime lows. For example, when deflated for gains in the consumer food price index (1968=100), the real price for soybean oil earlier this year was 8.3 cents per pound, or only 1 cent above the alltime monthly low reached in 1968. And currently the adjusted price is only around 10 cents—less than 30 percent of the record high reached in August 1974.

In the process, oil's share of the product value of a bushel of soybeans (based on an average extraction rate of 17.7 percent) has fallen to less than 35 percent, compared with over 55 percent during the fourth quarter of 1974. Although the current proportion of product value for oil is somewhat less than averaged during the decade of the 1960's, it is still significantly above the low of about 20 percent reached in the second and third quarters of 1972/73.

Oil prices by yet another standard are at an unprecedented low. The quarterly price for soybean oil, Decatur basis, divided by the producer price of corn shows that the soybean oil/corn price ratio is now only about 3.5 to 1.0—well below the previous low of just under 4:1 reached during the March-June periods of 1964 and 1969. The significance of this measure is derived from the fact that together with prices for its complement, soybean meal, oil's price has some bearing on the profitability of soybean vis-a-vis corn and on the use of soybean oil as a source of energy in animal feeds and substitute for corn and other feed ingredients. Even soybean oil, for instance, can be substituted to some degree for corn in feed, since both are sources of energy and soybean oil has substantially more calories per pound than corn.

Meantime, indications are that oil prices may have bottomed out or be close to doing so. For one thing, the current downleg in the oil-meal price cycle is now in its seventh quarter, and during the past 15 years, oil prices, in relation to meal prices, have never fallen continuously for more than seven quarters. There were two periods between major peaks and troughs that lasted 13 quarters and 14 quarters (February 1960/61 to February 1963/64 and February 1964/65 to April 1967/68). But in both cases the decline was not continuous, with each marked by at least three quarters of reversal.

In summary, for 1977 it looks as if:

- Stocks of oilseeds in the key producer-exporter countries will decline from the current year's volume;
- Prices for soybeans will be substantially more favorable relative to other crops such as corn and cotton than during the current season; and
- Increased prices will work toward bringing the world supply-demand relationship for meal and oils into balance and encourage a sharp expansion in U.S. soybean plantings in 1977.

Venezuela's Programs

Continued from page 10

These increases followed earlier growth patterns. In calendar 1974 U.S. grain sorghum and bean seed exports to Venezuela, were substantially greater than in 1973.

All commodity groups within Venezuela's agricultural sector may not reach a takeoff phase of development for some time. Consequently, large imports of bulk commodities from the United States should continue at least over the short run. But, as Venezuelan production of grains (excluding wheat) and oilseeds move toward higher levels, changes in the commodity mix of bulk item imports should occur.

In the case of the livestock industry, a continuing increase in importation of breeding animals, semen, and perhaps pasture seeds, is expected. The United States should continue to be a major source of these imports.

—By James W. Willis
Assistant U.S. Agricultural Attaché
Caracas